

Fact Sheet:

Health Insurance for Contracted Agency Home Care Workers

Since 1990, the Washington State Legislature has appropriated funds to provide health insurance to home care employees who work for state funded clients. In 1995, the appropriation mandated that medical benefits be offered to employees who work at least 20 hours a week for state-funded clients. Medical benefits have proven to be an important piece of the overall compensation provided to Washington State's in-home workers; and have been vital in the state's ability to attract and retain a trained in-home workforce.

Background

From 1990 to June 1995, there was funding allotted within the agency vendor rate to provide health benefits to home care agency employees. There was a lot of disparity in how individual agencies chose to use the funding and the allocation did not keep up with rises in medical inflation. As a result, many agencies struggled to obtain and maintain comprehensive health insurance for their employees.

From 1995 to 1999, the contracted agency health insurance coverage was obtained solely through the Basic Health Plan (BHP). This approach provided greater access to meet the mandates around health insurance coverage, however employers had difficulty using subsidized BHP to meet the health care needs of all of their employees. Agency employees who were 65 and older, who had family incomes over 200% above the federal poverty level or who lived in Idaho or Oregon were not eligible under the subsidized BHP plan. Employment laws prohibited agencies from offering insurance to one group of employees while denying it to another based upon age, income or residency. The needs of these employer groups were ultimately met by accessing the non-subsidized BHP plan and general funds were appropriated accordingly.

In response to health insurance carriers viewing the non-subsidized BHP as a high risk pool, the Health Care Authority changed the bidding requirements for carriers so they could bid on either the subsidized, non-subsidized or both. The result was that very few carriers chose to bid on the non-subsidized plan. Agency employees who were over 65, had family incomes over 200% FPL and lived in border states were left without options for insurance through the BHP. In order to maintain access to health insurance for all eligible state funded agency home care workers, the legislature approved the purchase of BHP equivalent private market plans beginning in 2000. The costs associated with providing benefits for home care workers have increased significantly over the past few years, particularly for premiums paid for agency private market plans. Currently, private market plans are the only alternative available to agency employees that do not qualify for subsidized BHP.

The factors that influence the cost differences between BHP and private market plans include: 1) Agencies are providing employer based insurance coverage to employees regardless of age and family incomes. They must do this to avoid issues of discrimination that could be raised if they offered a different benefit package to employees based upon age or income. The BHP does not cover individuals who are Medicare eligible. Average age within an insurance purchasing pool has a significant impact on premiums. The premiums for employees over age 65 are 2 to 3 times as high as those under the age of 65.; and 2) For the most part, agencies are purchasing insurance individual agency to individual agency. When insurance is purchased in small groups, they do not get the benefits of the purchasing power of an entity such as the Health Care Authority that is negotiating with insurance carriers with a large pool of people. In addition, geographic location, age of employees and experience ratings have a unique premium rate impact on each agency.

In the 06-07 biennium, the agency worker health insurance budget proviso was changed to eliminate the requirement that insurance be substantially equivalent to the BHP. In addition, a maximum premium cap was established at \$380.06 for FY06 and \$413.14 for FY07. Due to the adverse impact on low-wage workers, the Department was instructed to calculate the premium maximum as an average across eligible workers. As a result, the state maximum reimbursement for each agency for FY06 is \$447.00.

In 2005, The Washington State Chore Association and The Washington State Association of Home Care Agencies issued a RFP for an insurance broker to negotiate with health plans for a voluntary health insurance purchasing group for use by home care agencies who were not participating in the SEIU Taft Hartley Trust. Due to the voluntary nature of the purchasing group, each agency made independent decisions about whether it was in the best interest of their employees to join the group. Those who could purchase a richer benefit package or the same benefit package at a lesser price opted to stay outside the purchasing group. Because the broker could not guarantee enough workers' participation in the group plan, the carrier backed out at the last minute. The elimination of the group purchasing option meant that agencies without access to the Taft Hartley Trust were left to purchase insurance individually as a single agency.

Recommendation:

The current method of purchasing health insurance benefits for home care workers is neither cost effective nor does it assure equity across the home care industry. The Individual Provider Collective Bargaining Agreement guarantees a reimbursement level that is used to purchase health insurance either through the Basic Health Plan or the Taft Hartley Trust. As a result, Individual Providers benefit from a group purchasing mechanism that affords them a uniform set of benefits that is consistent across the state. It also establishes a premium level that is standard for each Individual Provider and can be controlled by the negotiation and appropriation processes. The contracted home care agency budget proviso ties health insurance reimbursement to a maximum premium level, but there is no language mandating that agencies purchase benefits in a manner that assures cost effectiveness and the language does not establish a standard statewide benefit level across the industry.

Additional study needs to be conducted to determine feasible methods of purchasing health benefits for home care workers that can be used industry wide. The methods need to meet the goals of cost effectiveness and uniform benefit levels across the industry.